

State of Arkansas

Purchasing Card (P-Card) Program

Policies and Guidelines Manual

April 2006

Policies and guidelines will be changed to meet the needs of the Purchasing Card (P-Card) Program. For the most current guidelines, please refer to our WEB site at:

http://www.arkansas.gov/dfa/procurement/pro_purchcard.html

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1099-Misc Reportable Transactions

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INTRODUCTION

Welcome to the State of Arkansas Purchasing Card, (P-Card), Program. The Office of State Procurement (OSP) has developed this program to help state agencies better manage low-dollar supply purchases and bring many benefits to you, the State of Arkansas, and our vendors. The P-Card will facilitate the acquisition of low dollar goods and services needed for conducting official government business. P-Cards will be issued to select employees to enhance the effectiveness or economy of operations. Liability for payment, total responsibility and accountability for the P-Card transactions resides at the agency level. **Personal purchases are forbidden and may result in disciplinary action.**

State agencies, as a condition of participation in the P-Card program, shall abide by the terms of the guidelines established by the Office of State Procurement and US Bank. No policy and guideline statement can cover all eventualities. Exceptional cases will be resolved as circumstances and prudent business practices warrant on a case-by-case basis.

The success of the Arkansas Purchasing Card Program and its continuing use depends on your participation and cooperation. Please be sure to read and follow the program guidelines as specified within this document.

1. WHAT IS THE PURCHASING CARD (P-CARD)?

The State of Arkansas and participating organizations have implemented the Arkansas Purchasing Card Program with US Bank VISA Purchasing Card to simplify, streamline, and facilitate the purchase and payment process. The P-Card is a fast, flexible purchasing tool offering an enhancement to the existing purchasing processes and provides an extremely efficient and effective method for purchasing and paying for supplies with a total maximum per cycle limit that will be determined on an individual basis. The default maximum charges per individual cardholder are \$2,000.00 per cycle. **The P-Card is to be used only for official business purchases for the State of Arkansas. Any attempt to use the P-Card for a purchase in excess of the set card limit will result in the purchase being rejected by the bank and the vendor.**

The issuance of a P-Card to you represents the trust bestowed upon you by the State to protect its assets and integrity. Under your oversight, review and approval, you provide the key point of control to maintain appropriate spending activities to protect your agency funds.

The P-Card will enable you to purchase allowable commodities by telephone, in person, or via the internet directly from the vendors. It may eventually eliminate the need for issuing low dollar purchase requisitions/orders and many blanket purchase orders.

The P-Card will be issued in the individual cardholders name with the wording "Arkansas", "For Official Use Only", and the agency name under the Cardholder's name.

The basic P-Card transaction consists of the following steps:

- Cardholder enters a business and selects the item(s) needed, charges it on the P-Card, signs a sales/charge slip and takes receipt of the merchandise.
- Merchant submits the transaction to VISA and VISA submits it to US Bank for payment (merchants normally will receive their payment within 3 working days of the original transaction).
- US Bank billing cycle ends on the 15th of each month unless the 15th is on the weekend. In that case, the cycle ends on the next business day. Statements are then mailed and also are available online through Access Online. The six day lag in time from the 15th to the 21st is used to make any last minute adjustments to the accounting stream before that billing cycle is locked down. **You cannot adjust the accounting information once the transactions have been locked down.**
- Each cardholder or agency liaison/reviewer reconciles the receipts/charge slips to the P-Card Transaction Summary Report. In turn, the agency makes a single payment to US Bank to its managing account number for the month in a timely manner.

2. THE P-CARD PROGRAM PROVIDES MANY BENEFITS

Cardholders - You will be able to obtain various supplies and services directly from vendors without using a purchase order. This streamlines the purchasing process and can help improve turnaround time on receipt of your order. It significantly reduces the workload and processing costs related to the purchase and payment of supplies. In addition, it expands your purchasing options by utilizing many businesses that would not accept a purchase order but would take a VISA credit card.

State Agencies - The P-Card program provides a cost-efficient, alternative method for purchasing low-dollar goods. Built-in card features make the program easy to manage and lowers processing costs at all levels by reducing the number of requisitions, purchase orders, invoices and warrants.

Vendors – Most vendors/merchants who accept VISA will welcome the P-Card. When the vendors accept the card for business purchases, they will not send invoices to your agency and should receive payment directly from US Bank within 72 hours.

3. ALLOWABLE and NON-ALLOWABLE CHARGES

Many items may be charged with the State P-Card. Some examples of allowable items/goods purchased with the P-Card are books, general office supplies, lab supplies, postage, subscriptions, UPS, FedEx, and many more that are not currently on a mandatory State Contract. **For the most part, the Cardholder may purchase goods for official business purposes for the State of Arkansas EXCEPT:**

- Any non-allowable transaction to the card that could result in disciplinary action
- Alcoholic beverages of any kind
- Cash advances
- Food purchases unless approval has been granted by your agency
- Personal type purchases of any kind, items or services (gift certificates, cards such as get-well, birthday, etc., flowers, etc.)
- Printing subject to Amendment 54 to the Arkansas Constitution and Arkansas State Procurement Laws
- Travel expenses or travel related expenses
- Vehicle rentals unless approval has been granted by Purchasing Card Coordinator/Administrator
- Any items listed on mandatory agency or state contracts **EXCEPT OFFICE DEPOT. *The item may be paid for using the purchasing card if the contract (see OSP website) allows the payment of items with the P-Card or prior approval from the contractor is received.***
- Professional Services and Consultant Services Contracts or any tax reportable IRS 1099 expenses (**Appendix**)
- Equipment or other items, both high and low value according to AASIS standards, which should be included on an agency inventory listing. ***An asset should be purchased with traditional purchasing methods to eliminate unnecessary problems.***
- P-Card cannot be used at any of the vendors (merchants) that are categorized as restricted non-allowable under the blocked MCC numbers shown in the Merchant Category Codes (MCC)
- Split purchase or any other form of incremental purchasing
- Any purchase that would involve a trade-in

NOTE: ALL PURCHASES MUST BE FOR OFFICIAL BUSINESS OF THE STATE OF ARKANSAS.

4. PURCHASING CARD ACTIVATION

Before purchasing with the P-Card, it must be activated. It is recommended the activation be done in a secure location to protect the

security and integrity of the P-card. To activate the card, please follow these simple steps as instructed on the P-Card.

- Call US Bank/VISA at (800)344-5696.
- When requested, enter your 16-digit VISA Account Number.

You may be asked for any of the following information:

- Birth Date
- Social Security Number
- Mother's Maiden Name (or Password)

If you have problems activating your card, please contact your Agency Liaison or the Purchasing Card Coordinator at (501) 324-9316 or via e-mail at P-Card@dfa.state.ar.us

5. MAKING A PURCHASE

When making a P-Card purchase, the Cardholder shall check as many sources as reasonable to assure the best price, quality, service and delivery is in the best interest of the agency. There are several methods of procuring with the P-Card.

- **In Person (Point of Sale)** – The Cardholder takes the P-Card to the merchant and verifies the merchant accepts the VISA card. The Cardholder selects the commodity, carefully ensuring the selection is not an exception to the allowable items/services procured with the P-Card and the total cost does not exceed the control limits set for the Cardholder's P-Card. The Cardholder takes the order to the supplier's cash register and presents the P-Card for payment. The supplier either swipes the P-Card through a card reader or calls for an authorization. The supplier then asks the Cardholder to sign for the charges. The supplier issues the Cardholder a copy of the charge slip, cash register tape or invoice. The Cardholder shall retain all P-Card transaction documentation and provide this to the Agency Liaison for backup and comparison to the US Bank transaction information and/or P-Card Transaction Log.
- **Phone Orders** – The Cardholder may telephone an order to a supplier. The supplier shall request the Cardholder's P-Card number and expiration date. For security reasons, ensure others do not overhear or view this information. The Cardholder shall ensure the supplier includes a P-Card authorization slip, cash register tape or paid invoice with the delivery of the order. The Cardholder shall retain all transaction documentation for backup.
- **Internet Orders** – Select cardholders may use electronic mail to submit an order to a supplier. However, before engaging in an internet purchase, be familiar with the procedures the vendors use

to handle P-Card transactions. For instance, some sites dictate you be registered in their system before making a purchase. Once the Cardholder has completed the transaction, he/she shall ensure the supplier includes a cash register tape, paid invoice, other documentation with the purchase information on it, and/or a delivery slip with the order. If the supplier intends to mail the P-Card transaction documentation as a separate item, the Cardholder shall ensure this documentation is sent to the agency's official address. The Cardholder shall retain all transaction documentation. **Remember, internet orders may be subject to Use Tax.**

6. GENERAL POLICIES AND PROCEDURES

- P-Cards will only be issued to an individual in the individual's name.
- Cardholder must be an employee of the State of Arkansas or performing state business according to Arkansas Purchasing Card regulations.
- P-Cards are not transferable between individuals.
- An account number, business area, cost center, GL code, and other necessary default accounting codes will be assigned to each purchasing card. A funds reservation number may be assigned to a card, but this number is only optional and not mandatory according to the program.
- Each account number will belong to one business area.
- The account number will link cardholders to their agency.
- Agency Liaisons will be responsible for the basic accounting procedures and maintenance of the P-Card Transaction Summary details along with the applicable back-up documentation applicable to all transactions for each cardholder assigned to them.
- Employee's Agency Head or Fiscal Officer must approve the employee application for a P-Card and submit this information to the Purchasing Card Coordinator/Administrator before the process of issuing a P-Card can begin. Also, all appropriate parties must sign the P-Card Agreement and Application.
- Upon receipt of this approval, the Purchasing Card Coordinator/Administrator will contact the approving Agency Head or Fiscal Officer to establish the accounting codes, dollar limits, and other required information.
- Employee's Agency Head or Fiscal Officer must provide notification to the Purchasing Card Coordinator/Administrator when a change in pertinent agency personnel occurs.
- Agency Head or Fiscal Officer approval delegates transaction authority to the cardholder.
- For all charges, US Bank is paid each billing cycle from agency funds in full.
- Agency Liaisons will have the capability to, and will be responsible for:
 - Reallocating cost centers, GL accounts, and other necessary codes for payment if necessary
 - Reviewing each cardholder's transactions to the P-Card online statement and maintaining the documentation for each transaction.

- Identifying transactions subject to use tax and assure that use tax has been, or will be, charged properly
 - Approving bills
- Agencies will have the ultimate responsibility to ensure card charges are accurate and properly accounted for.

7. PARTIES INVOLVED

Note: All parties involved in the Arkansas Purchasing Card Program must maintain segregate duties (approving, purchasing, reviewing, etc.)

- **Agency** – Any State Agency that arranges with the state Purchasing Card Coordinator/Administrator for the issuance of purchasing cards from US Bank to approved employees. The State Agency agrees to accept liability for the employees' use of the cards and abide by all rules and regulations of the Arkansas Purchasing Card Program. State Agencies in the Arkansas Purchasing Card Program may be any State of Arkansas entity (agencies, divisions, departments, institutions of higher education, boards and commissions, Officers of the State, eligible political subdivisions, and other public participating entities)
- **Cardholder** – An employee or authorized individual (non-employee) of a State Agency or institution approved by the Agency Head or Fiscal Officer to use the purchasing card to execute purchase transactions on behalf of their agency or institution.
- **Card Issuer** – The State of Arkansas has contracted with US Bank to; 1) issue VISA purchasing cards to agency employees, 2) bill the agency for all purchases made by the cardholder, 3), to collect payment from such state agency, and 4) provide reporting to the state on P-Card activities.
- **Agency Liaison** – This is an employee(s) in each agency responsible for proper use of the P-Card within their assigned agency. Each cardholder will be assigned an Agency Liaison(s) by means of their agency and the liaison will be responsible for reviewing transactions of individual cardholders to make sure the transactions are classified as an appropriate expense. **However, an Agency Liaison cannot be a cardholder.**
- **Purchasing Card Coordinator/Administrator** - The central coordinator will be located in the Office of State Procurement. This person(s) will coordinate the purchasing card program, act as an intermediary in correspondence with the card issuer, perform some review functions, and conduct training.
- **Vendor** - The merchant from whom a cardholder is making a purchase.

8. CARDHOLDER RESPONSIBILITIES

The Cardholder is responsible for knowing and applying all of the rules related to the Arkansas Purchasing Card Program. The P-Card is not to be used for travel, cash and other categories included in the Blocked Merchant Category Code (MCC) list. Misuse of the card will subject the Cardholder to disciplinary action in accordance with this policy and US Bank/VISA policies and procedures relating to disciplinary action and/or termination for cause. **Cardholders must activate their own card upon receiving it.** The Cardholder must:

- Ensure the P-Card is used only for legitimate business purposes.
- Maintain the P-Card in a secure location at all times.
- Not allow other individuals to use the P-Card.
- Adhere to the purchase limits and restrictions of the P-Card and ensure the total maximum charges per individual cardholder per billing cycle are upheld. This amount includes any shipping, handling, postage, freight, etc. associated with the purchase of the item and not just the item plus tax. The default maximum credit limit per individual card is \$2,000.00 per billing cycle.
- Obtain all appropriate documentation (sales slips, register receipts, and/or P-Cards slips)
- Maintain a P-Card Transaction Summary report for all transactions including returns and refunds. Agencies should use the on-line report through Access Online for this function.
- Sign off on the log, attach all documentation to the log, and then submit it through your normal approval process to the Agency Liaison.
- Receive copy of monthly account statements and reconcile it against the transaction log or assist the Agency Liaison.
- It is recommended that the Cardholder retains a copy of the Log for his/her records.
- Notify Agency Liaison if the cost center, GL account, and/or other accounting information needed to be changed on a transaction.
- Attempt to resolve disputes or billing errors directly with the vendor or bank and immediately notify the Agency Liaison and the Purchasing Card Coordinator if the dispute or billing error is not satisfactorily resolved.
- Ensure that an appropriate credit for the reported disputed item(s) or billing error appears on a subsequent Cardholder's Statement.
- **Do not accept cash or a gift card in lieu of a credit to the P-Card account. A return must always be a credit back to the P-Card account.**
- **Immediately report a lost or stolen card to US Bank at 1-800-344-5696 (24 hours a day, 365 days a year).**
- Notify Agency Liaison and/or Purchasing Card Coordinator of a lost or stolen P-Card at the first opportunity during business hours.
- Dispose of the Purchasing Card in accordance with the directions given by the Agency Liaison upon terminating employment with the agency or upon request of the Purchasing Card Coordinator/Administrator or Agency Head.

9. AGENCY LIAISON RESPONSIBILITIES

Each Agency Head or Fiscal Officer must designate an Agency Liaison(s). **An Agency Liaison cannot be a cardholder due to security role issues in AASIS.** Responsibilities include:

- Verify all documentation (vendor receipts and purchasing card receipts from each Cardholder), to the transaction log.
- Review the P-Card Transaction Log for each card within the agency supported from the Cardholder information
- Receive Cardholder's statement and reconcile against the Cardholder's transaction log.
- Retain all charge slips, receipts, and transaction logs for audit by internal and external auditors.
- Approve and/or update accounting codes and on electronic billing distribution of individual Cardholder account within 5 days of the cycle closing date.
- Identify and update transactions, which require the submission of use tax and/or account changes within 5 days of the cycle closing date.
- Attempts to resolve any dispute with vendor and/or US Bank not resolved by Cardholder. **Note:** There is a 60-day period for resolution of disputes.
- Changing the default accounting codes and/or GL accounts for individual cards as needed.
- Notify Purchasing Card Coordinator of lost or stolen cards.
- Request the Purchasing Card Coordinator cancel a Cardholder's card e.g. (terminated employees, loss of purchasing card privileges).
- Destroy and dispose cancelled cards from Cardholders according to directions of the Purchasing Card Coordinator.

10. PURCHASING CARD COORDINATOR/ADMINISTRATOR RESPONSIBILITIES

The State Purchasing Card Coordinator/administrator will be responsible for the over-all Purchasing Card Program. Responsibilities include:

- State Agency's contact with US Bank.
- Utilizing application programs from US Bank.
- Reviewing agency approved applications for completeness of required information.
- Submitting completed application to US Bank and receiving P-Card from US Bank.
- Training Agency Liaisons and Cardholders before releasing P-Cards.
- Having Cardholder sign Cardholder agreement, signifying agreement with the terms of the Arkansas Purchasing Card program.
- Handling disputed charges/discrepancies not resolved by Cardholder or Agency Liaison.
- Initiating change of P-Card default cost centers, MCC number, credit limit issues, and/or other accounting codes upon request of Agency Liaison.
- Reviewing usage of P-Card data for appropriateness.
- Performing review functions and/or coordinating them with the Agency's Purchasing Card Liaison.

11. CARDHOLDER ELIGIBILITY

The criterion to receive a P-Card is as follows.

- Applicant must be an employee of the state (full or part), or an individual authorized by the Chief Financial Officer to make purchases on behalf of the agency/institution that benefit the agency/institution.
- Agency Head or Fiscal Officer must approve applicant's request for a P-Card.
- Employee must attend a training session before a P-Card is issued.
- Each individual Cardholder must fill out a Cardholder Application (**Form A**) and sign a Cardholder agreement (**Form B**). Also, the Cardholder should keep a copy of the forms for future reference.
- Upon receiving the card, the Cardholder should immediately sign the back of the card and activate it according to the bank instructions.
- Failure to comply with these policies and procedures may result in a P-Card not being issued, revocation of use privileges, or disciplinary action. Should the failure to follow the policies and procedures be deemed willful and flagrant, such use shall be grounds for disciplinary action up to and including dismissal. Misappropriation of funds shall require full restitution to the agency (State).

12. CARDHOLDER LIABILITY

The P-Card is a commercial purchasing VISA card, which will not affect the Cardholder's personal credit. **The agency is liable** for all charges made on the P-Card. This includes transactions made on a lost or stolen card before it is reported lost or stolen. However, it is the Cardholder's responsibility to ensure that the card is used within stated guidelines of the Purchasing Card Cardholder Manual as well as other appropriate policy manuals. Failure to comply with program guidelines may result in revocation of the card, notification of the situation to management, and further disciplinary measures that may include termination of employment. **The ultimate responsibility for use/misuse of the P-Card rests with the cardholder.**

The US Bank/VISA Liability Waiver Program requires the State of Arkansas to initiate termination proceedings as soon as documented evidence of Cardholder fraudulent activity surfaces. The Agency Liaison and/or the Purchasing Card Coordinator or designee shall notify US Bank to cancel the Cardholder's card within two (2) days of the documentation and verification of Cardholder misuse. Furthermore, specific forms, supplied by US Bank/VISA, must be completed and filed with US Bank/VISA by the Agency Liaison when fraud has occurred. These forms and instructions are available from the bank (reference VISA Liability Waiver Program).

13. CARDHOLDER ACCOUNT CLOSURE

The Purchasing Card Coordinator is required to close an account if a Cardholder performs any unapproved action or is no longer authorized to perform purchasing duties for his/her agency. To accomplish this, the

Liaisons should: 1) keep in contact with agency human resources so Liaisons will be informed of employment termination by card holding personnel, and 2) notify the Purchasing Card Coordinator at OSP of account closures. In addition, US Bank must be notified within 48 hours of the account closure. The following are the most common reasons for an account closure.

1. Cardholder moves to a new job with the state
2. Cardholder terminates State employment or affiliation with the state if cardholder is a non-employee as defined in section 7 of this manual
3. Use of the P-Card for any of the following reasons:
 - a. Personal or unauthorized purposes. **Note: Use of the card for personal and/or unauthorized purposes could be interpreted as fraud.**
 - b. Any attempt or actual purchase, utilizing the P-Card, of alcoholic beverages or any substance, material, or service, which violates policy, law or regulation pertaining to the State of Arkansas.
 - c. The Cardholder allows the card to be used by another individual.
 - d. The Cardholder splits a purchase to circumvent the limitations of the Arkansas Procurement Laws.
 - e. The Cardholder uses another Cardholder's card to circumvent the purchase limit assigned to either Cardholder or the limitations of the Arkansas Procurement Law.
 - f. The Cardholder fails to provide the Agency Liaison with approved documentation.
 - g. The Cardholder fails to provide, when requested, information about any specific purchase.
 - h. The Cardholder does not adhere to all of the Purchasing Card policies and guidelines.
 - i. Failure to provide a receipt may result in employee reimbursing the agency for the purchase.

Failure to abide by these rules will subject the employee to disciplinary action in accordance with the State of Arkansas Purchasing Card Program policies and procedures as they relate to misuse of the card.

14. DOCUMENTATION OF EXPENDITURES

The Cardholder must provide valid documentation of each transaction once a month to the Agency Liaison by attaching to the transaction log. The Agency Liaison or a designated person must review all documentation submitted and determine if valid and complete documentation is on file for every transaction listed on each Cardholder's statement. All documentation for each transaction must be maintained for audit purposes and shall be placed in a permanent file for a minimum of five (5) years (or amount of time agency deems necessary) from the date the current fiscal year funds were expended.

1. Valid source documentation may be:
 - a. A receipt and/or transaction slip from the merchant.
 - b. An order form.

- c. An invoice showing credit card payment.
 - d. A packing slip from the delivery annotated by the Cardholder as ordered by, received by, paid by and signature of the Cardholder.
2. All documentation must include the following minimum information (Cardholder must hand write it if not originally printed on the form):
- a. Vendor name
 - b. Date of the purchase
 - c. Description and quantity of each item purchased
 - d. Per item cost, if available from the merchant
 - e. Total cost of the transaction
 - f. Cardholder name and card number

If documentation is unavailable, the Cardholder is to complete a Missing Receipt Form **(Form D)**. Completion of this form will be required for each transaction where the documentation is unavailable whether the Cardholder did not provide the documentation through no fault of his/her own, or through willful or negligent default.

15. LOST, MISPLACED OR STOLEN PURCHASING CARDS

Cardholders are required to report any lost or stolen P-Card immediately to their agency liaison. The liaison then should contact the State PCC. The State PCC will then contact US Bank. If the cardholder can not contact their liaison or a State PCC for any reason, they should contact US Bank immediately at **1-800-344-5696** (24 hours a day, 365 days a year)..

16. TAXES – SALES and USE

As a rule, the purchase of tangible property is taxable. If the merchant charges the proper tax on the P-Card transaction then normally no other action will be required. If no taxes were charged, the agency must prepare a payment of “use” tax to the State of Arkansas. Use Tax is a tax on tangible personal property purchased out-of-state and brought into Arkansas for use, storage, consumption, or distribution. The tax is designed to assure fair competition between Arkansas businesses and out-of-state businesses. It is very important that when entering your transaction on the P-Card Transaction Log you list the state where the purchase originates, if sales tax was paid and if so, the amount that was charged. Very few items are non-taxable. Examples of some non-taxable items are:

- Membership dues
- Freight, if billed as a separate item
- Subscriptions
- Periodicals
- Items that are tax exempt by law

Examples of items subject to Use Tax include CD's, books, furniture, clothing, food, hunting and fishing gear, etc. These are only a few examples. All tangible personal property purchased out of state is subject to the Use Tax.

The default Tax Code P-Card entries is P0. For purchases that are subject to Use Tax, the Tax Code must be changed to U1 in and the calculate box must be checked. Effective March 2004, the state Use Tax is 6.00% (residents inside the city limits of Texarkana the state rate is 7.00%). In addition, you are required to remit the city and/or county tax for where the items are first delivered in Arkansas. A list of tax rates for cities and counties may be obtained from the State Tax Office or downloaded from their website at

http://www.arkansas.gov/dfa/excise_tax_v2/et_su_conuse.html

17. SPENDING CONTROLS

The default maximum charges per individual cardholder are **\$2,000.00 per billing cycle**. The Purchasing Card Coordinator/administrator at the Office of State Procurement will adjust limits as determined by demonstrated and/or special need.

18. REBATES AND PROMOTIONAL ITEMS

Any manufacturer rebates received by the Cardholder as results of a P-Card transaction shall be credited to the P-Card and documentation reflecting the transaction shall be attached to the P-Card Transaction Log to support such credit. Any rebate and promotional type items received as the results of a P-Card transaction shall become the property of the state and utilized by the applicable agency. Misuse of this section could result in disciplinary action.

19. CARD DECLINES

Should a vendor decline the P-Card; the Cardholder should immediately contact the Agency Liaison or Purchasing Card Coordinator for assistance. If a purchase is attempted outside normal business hours, the employee must find an alternate payment method or terminate the purchase and contact the Agency Liaison or Purchasing Card Coordinator during normal business hours.

20. EMERGENCY TRANSACTIONS (ER)

Emergency transactions above OSP spending limits may not be performed with the Purchasing Card due to state procurement regulations for emergency (EM) procurements. For any transaction, which does not meet the spending controls assigned to the card, the Cardholder must contact OSP for assistance. **Exceptions may be made for natural or man-made disasters on an "as needed" basis.** The proper authority will notify the State Procurement Director if a disaster in the state has been declared. The State Procurement Director and the Purchasing Card Coordinator/Administrator will

initiate an Emergency Purchasing Card Program. With the assistance of the proper agencies, the Purchasing Card Coordinator/Administrator will decide which P-Card spending limits will be upgraded and what MCC blocking needs to be revised. The Purchasing Card Coordinator/Administrator will notify US Bank as to its requested action(s). The agencies and the Purchasing Card Coordinator/Administrator will record and maintain all records documenting purchases during the declared disaster.

21. REFUNDS AND CREDITS

Vendors will issue all refunds and credits to the individual P-Card account for any item they have agreed to accept for return. This credit will appear on a subsequent statement. **Under no circumstances should a Cardholder accept cash or a gift card in lieu of a refund or credit to the P-Card account.**

22. UNRESOLVED DISPUTES AND BILLING ERRORS

The Cardholder is responsible for contacting the vendor to resolve any disputed charges or billing errors. If the matter is not resolved with the vendor, the Agency Liaison should:

- Contact the Purchasing Card Coordinator for assistance.

Note: The total amount billed by US Bank will be charged to the individual agency accounts and credits for disputed transactions will be posted to agency accounts when the credit appears on the US Bank billing. In addition, there is a dispute form online at US Bank for the Cardholder to complete. A back up form is available for download at the DFA-OSP website.

23. SECURITY AND STORAGE

- **Purchasing Cards (P-Card)** - Cardholders should always treat the P-Card with at least the same level of care as one does with their own personal credit cards. The card should be maintained in a secure location and the card account number should be carefully guarded. The only person entitled to use the card is the person whose name appears on the face of the card. The card may not be lent to another person for any reason.
- **Program Documentation** - The Agency Liaison assigned in each state agency will maintain the Cardholder's vendor receipts/packing slips/charge slips, applications, Cardholder agreements, agency billing statements, reconciliation of accounting statements, documentation, and copies of transmittals and correspondence with US Bank.

24. VENDOR SET UP

If a frequently used vendor does not accept the VISA card, the agency should recruit the vendor to take the necessary steps to begin acceptance of the card and provide this information to US Bank. Cardholders should contact the Agency Liaison or Purchasing Card Coordinator when encountering vendors who do not accept the card.

25. MERCHANT CATEGORY CODE BLOCKING

Transactions will be blocked at the point-of-sale level (in person, phone, or internet) at the types of vendors on the Blocked Merchant Category Code List. All vendors are assigned a Merchant Category Code (MCC) by their bank. Attempting to buy from merchants that are not included in the specifications will cause your transaction to be denied. Occasionally, a bank may have wrongly assigned a vendor's MCC. If you run into a situation where your transaction is rejected for an appropriate purchase, have your coordinator ask the vendor to check on updating the MCC.

26. P-CARD SET UP, MAINTENANCE AND CLOSURE

All contact with US Bank for card set up, maintenance and closure, (except for reporting lost or stolen cards, **Form D**), will be handled by the OSP Purchasing Card Coordinator (**Form A**). The designated **GL account code for all P-Card transactions is 5020007000** and should be listed as the default GL code on the P-Card application. The US Bank vendor number for **payment remittance in AASIS is 100099611**.

- Card Set Up
 - Employee completes a P-Card application and submits to his/her Agency Head or Fiscal Officer for completion and approval.
 - Agency Head or Fiscal Officer completes the application by providing the name of the Agency Liaison (only if a new liaison is necessary), business area, funds reservation number (if necessary), cost center, internal order, WBS element, and default GL code assigned to the card.
 - Agency Head or Fiscal Officer "approval signature" delegates transaction authority to the Cardholder.
 - Approved application is to be sent to the Purchasing Card Coordinator.
 - Purchasing Card Coordinator reviews application for completeness and submits application to US Bank in an approved format.
 - Upon receipt of the P-Card from US Bank, the Purchasing Card Coordinator will conduct a training session with the Cardholder prior to issuing the card.
 - Cardholder signs Cardholder Agreement in front of the reviewing official and Purchasing Card Coordinator at the training session signifying agreement with the terms of the P-Card program.
- Card Maintenance

- Purchasing Card Coordinator will use all available tools of US Bank software for the maintenance of cards.
- Closure
 - Lost or Stolen Cards - Cardholder must immediately report the lost/stolen card to their Agency Liaison. In addition, the State Purchasing Card Coordinator must also be notified.
 - Terminated Employees - Agency Liaison is to secure P-Cards from terminated employees or give proper disposal procedures of the cancelled card. The Agency Liaison will immediately notify the Purchasing Card Coordinator via email or phone of the impending termination. The cardholder account will then be closed on the Access Online website by the State PCC. All P-Cards are to be returned to the Purchasing Card Coordinator for disposal unless other arrangements have been made.
 - Other Card Revokes/Closures - Purchasing Card Coordinator will notify US Bank immediately of all revokes and closures.

27. RECONCILIATION, APPROVAL AND ALLOCATION OF BILLING

Receipt and Payment of US Bank Billing

- US Bank will electronically bill each state agency within 5 days after the close of the billing cycle, usually on the 15th.
- Agency Liaison will review bill for any obvious errors in charges or un-posted payments. If none noted, payment in full will be made to US Bank via AASIS.
- The payment posting will be prepared within **5 working days** after receipt of the US Bank bill and processed so that payment will reach US Bank no later than **10** calendar days after the close of the billing cycle of the previous month.
- Payment will be transmitted in accordance with US Bank instructions.

Reallocation of Purchasing Card Charges by Agencies

Default accounting codes will be assigned to each P-Card issued. US Bank will submit monthly an electronic billing statement to the state agency and all Purchasing Card transactions will be charged to the default account number unless adjustments are made as follows:

- Agency Liaisons change account codes as necessary.
- Agency Liaisons will add analytical information for cost sharing, if necessary.
- Agency Liaisons will identify transactions requiring payment of use tax.
- Agency Liaisons will assemble and retain Cardholders statements, charge slips and receipts for audit by internal and external auditors. Receipts for purchases made from federal funds must be maintained for 7 years and all other receipts for 5 years.

- The total amount billed by US Bank will be charged to the individual agency accounts and credits for disputed transactions will be posted to individual agency accounts when credit appears on the US Bank billing.

28. Posting of invoices

A responsible party should make a review of P-Card purchases prior to the final posting within the agency's book of record. The default code of the P-Card purchase must be changed to the correct GL code for the item purchased before the document is ready to be posted by the Accounts Payable personnel in AASIS. All P-Card purchases must be properly accounted for prior to the last operating day of the Fiscal Year.

29. INTERNAL CONTROLS, AUDITS, & COMPLIANCE REVIEWS

Agencies using the Arkansas Purchasing Card should put in place an internal control program to review the purchasing card transactions each month. The purchasing card internal review procedures are to verify cardholders are using the purchasing card appropriately, the cardholders and the agencies are maintaining adequate records, and the state Purchasing Card Coordinator knows about problems or certain trends so he may assist the cardholders and agencies with future transactions. The Agency Purchasing Card Liaison will review each cardholder monthly in their specific agency. In addition, the state Purchasing Card Coordinator will select a number of random cardholders to examine for appropriateness of transactions and record keeping procedures.

The Arkansas Purchasing Card Program and its participating agencies are subject to the various state auditing programs. Law requires some of these. The reviews could encompass some or all cardholder accounts and these audits do not require advance notice.

It is important that all agencies using the purchasing card retain accurate records of all transaction made. The Agency Liaison should use the Purchasing Card Internal Control form to assist in reviewing each cardholder transaction and P-Card program activities. **(Form E)**

30. END OF FISCAL YEAR PROCEDURES

Goods and services should be expended in the year they are received. When the P-Card is used, the supplier may hold the P-Card transaction posting for several days and it could take 3 days for the actual posting to the US Bank billing, which is the 15th of each month. Either of these events could create an accounting problem at the end of the fiscal year (June 30). To ensure that P-Card expenditures are properly recorded in the year goods and services are received, the Cardholder needs to inform the supplier that June transactions should be posted the same day the actual transaction takes place. To ensure proper recording of expenditures, the P-Card **should not be used** for purchases during the dates of June 10 – June 30 of each year.

Any purchases not paid by warrant prior to the last day of the Fiscal Year must be handled as “Y Vouchers” when paid the following Fiscal Year. Therefore, a certification must be made indicating funds and appropriations were available at year-end and current year funds and appropriation will be used to make the payment in the following Fiscal Year.

31. Policy Modification:

This Arkansas Purchasing Card Program policies and procedures are established to support the Arkansas Purchasing Card Program and may be updated from time to time, as deemed necessary by the DFA Office of State Procurement. Continuous oversight is essential to protect the cardholder and the State. Purchasing card participants must review the Office of State Procurement web site for any policy changes. Questions regarding this policy should be directed to the Purchasing Card Administrator

32. PURCHASING CARD CONTACTS

State of Arkansas

Gerald Congleton, Purchasing Card Manager
Office of State Procurement
1509 West 7th Street
Little Rock, AR 72201-3966
gerald.congleton@dfa.state.ar.us
(501) 371-6054

Jeff Spears, Purchasing Card Coordinator
Office of State Procurement
1509 W. 7th Street
Little Rock, AR 72201-3966
jeff.spears@dfa.state.ar.us
(501) 371-1405

Norma Little, Purchasing Card Coordinator
Office of State Procurement
1509 W. 7th Street
Little Rock, AR 72201-3966
norma.little@dfa.state.ar.us
(501) 683-2217

Agency Contact

APPENDIX

1099-MISC Reportable Transaction

1099 Reporting

Agencies participating in the P-Card program assume all responsibility for assuring that purchases made with the P-Card are not 1099 reportable transactions.

The DFA - Office of Accounting and Office of State Procurement will make every effort to maintain vendor files and exemption of reporting certificates (W-9); however, the ultimate responsibility resides with the agency.

Transactions that need to be reported via a 1099 filing must be submitted to the Office of Accounting by January 15 each year on the prescribed form, which may be found on the DFA web site. This form must be sent to Danny Bokamper for proper filing.

Items that are 1099-MISC reportable are not to be purchased with the purchasing card. If any 1099-MISC reportable purchases are inadvertently made with the P-Card, those items are required to be reported to the Dept. of Finance and Administration and the Internal Revenue Service. The transaction must be recorded on the transaction log with supporting documents. Most sales tickets or receipts record only the total transaction. The cardholder is responsible for recording a detailed description of the purchase transaction. If services are involved with the

transaction, the cardholder must ask the merchant to establish the percent of the transaction that is service.

1099 Reportable Vendors

Federal regulations require that Form 1099-MISC be sent to each person or company, other than corporations, to whom have paid at least \$10 in royalties or at least \$600 in rents, services (including payment for parts and materials), prizes and awards, legal services or medical and health care payments. The exemption for issuing 1099s to corporations does not apply to medical corporations for payments of medical or health care services or to legal corporations for payment of legal services. Gross proceeds paid in connection with legal services should be reported regardless of amount. IRS has determined that parts and materials do not have to be reported if the vendor is in the business of selling parts or materials, such as a dealership; this applies to many vendors.

Backup withholding must also be reported on Form 1099-MISC for each person from whom Federal income tax was withheld under the backup withholding rules regardless of the amount of the payment.

Vendors who are not 1099 reportable include:

1. Federal and State of Arkansas agencies
2. Vendors who have indicated that they are tax exempt
3. Corporations with exceptions as mentioned in Appendix A
4. Foreign individuals and companies
5. Limited liability companies filing as corporations.

Vendors who are 1099 reportable include:

1. Individuals (non-employees),
2. Sole proprietors (including doctors and attorneys),
3. Partnerships,
4. Limited liability companies filing as partnerships
5. Medical and healthcare corporations (for services rendered),
6. Legal corporations (for services and/or gross proceeds).